

Current Intelligence Country Handbook
Chile Oct 1966

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Current Intelligence Country Handbook

CHILE



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DIRECTORATE OF INTELLIGENCE

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CHILE

I. Political

Chile traditionally has been one of the most stable, democratic countries in Latin America. The election in 1964 of Christian Democrat Eduardo Frei as President added a new dimension to Chilean history by bringing into power a dynamic, reform-minded administration claiming to be an effective alternative to communism.

The March 1965 congressional elections gave control of the Chamber of Deputies to Frei's Christian Democratic Party (PDC), but the administration has been hampered by lack of a working majority in the Senate. The next congressional elections are not scheduled until 1969. An important, continuing problem for the Frei administration is control of leftist elements, both inside and outside the PDC, who tend to push too rapidly for more extreme reforms.

The Frei government policies reflect Christian Democratic philosophy. Although definitely Western in orientation, the PDC minimizes international Communist threats and places confidence in its ability to defeat the Communists by coping with the "just grievances" of the masses. On the other hand, the party has historically been critical of traditional capitalism and rejects it as a solution for Chile's economic problems. Although the PDC administration has not favored nationalization as the primary solution, it asserts that the state has the main responsibility for development and welfare, while encouraging efficient private enterprises.

Communist influence in the government presently is limited; however, though losing the presidential election, the Communist-Socialist coalition Popular Action Front (FRAP) registered a percentage vote increase and increased its percentage again in the 1965 congressional elections. Strains have appeared within the FRAP in recent months, however, because of disagreement between the Communists and the Socialists as to how closely they should cooperate with the government. The left-center Radical Party, although greatly weakened by electoral losses and internal divisions, may also constitute an obstacle to the government if its leftist wing collaborates with the FRAP.

The formation in May 1966 of the National Party (PN), a merger of the old Conservative and Liberal Parties, has coalesced to some extent the rightist political elements. This party has not yet, however, exerted any substantial influence on the Chilean political scene. Al-

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though disunited and generally weak, the opposition elements, both rightist and leftist, nevertheless have a demonstrated ability to delay passage in the Senate of much of Frei's program.

2. Economic

The Chilean economy has been plagued by inflation for more than 50 years, and one of the most important parts of Frei's program involves stabilizing the rise in the cost of living which in 1964 was 38 percent. During 1965 the total increase in the consumer price index was 25.9 percent, only slightly above the government's goal of a 25 percent increase. The rise in 1966 will be higher than the government's goal of 15 percent, and may even top that of 1965. The government's price index is highly controlled, however, and does not reflect the actual impact of all price rises on the consumer.

Copper remains the major factor in the Chilean export economy. Recent price rises in international copper markets have increased the government's revenue, but the continuing dependence of the economy on copper endangers over-all economic stability. Strikes at the copper mines late in March 1966 between miners and the army shocked the Chilean public, which is relatively unused to such incidents. Frei's program of "Chileanization" of the copper industry is progressing, and the first agreement between the government and a large US company (Braden) was signed on 2 October. Conclusion of agreements with all the large US companies is expected soon, and should stimulate foreign investment in Chile.

Frei will try to move forward in several Alliance for Progress goals—agrarian reform, tax reform, education, and housing. The PDC views these objectives from the standpoint of social injustice as well as economics, and is dedicated to distributing land to 100,000 families, redistributing tax burdens onto the middle and upper classes, building 100,000 housing units annually, and embarking on a crash school room building program. During the second half of 1966, however, spending on reform programs will be curtailed.

Agrarian reform is a major part of Frei's program, and a great deal of the government's effort has gone into implementing it. Constitutional amendments required for enabling legislation to ease the process were approved by Congress in October 1966. The government has already carried out some land resettlement and expropriation.

The PDC policy of relations with all nations and pursuit of economic self-interest has led the Frei government to seek trade with Communist countries, including China. A trade agreement is ex-

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pected to be signed with the Soviet Union late in 1966 or early in 1967 providing for \$50-\$75 million interchange. Chile has virtually no export trade with Cuba, but during 1965 it imported about \$600,000 worth of sugar.

3. International Relations

The keystone of Chilean foreign policy for years has been close relations with the US. The PDC, however, is extremely nationalistic and has stressed an "independent foreign policy," related to the long established Chilean tradition of maintaining an "independent" posture for domestic purposes and as a means of rapport with the less developed "third world" countries between capitalism and communism.

Chile often has had strained relations with its neighbors. A long-standing border dispute with Argentina erupted in November 1965, and was entrusted finally to a border commission for settlement. Reports—possibly spurious—of border incidents during September 1966 have been played down by both governments. In addition, Frei has developed close harmony in his dealings with the reform-minded government in Peru. Diplomatic relations between Chile and Bolivia have been suspended since 1962 when Bolivia protested Chilean diversion of water from the international Lauca River. Chile's 19th century annexation of the Bolivian littoral after the War of the Pacific left a bitter heritage in Bolivia, and the Bolivian government raises periodically the issue of its landlocked position, despite past Chilean port and railroad concessions. During September and October 1966 there was a spate of rumors of infiltration of some private Bolivians into northern Chile, but in general the dispute remains low-key.

Chile is an active member of the OAS, UN, and various other international bodies. In the OAS in 1964 Chile opposed action against Communist Cuba, but finally broke relations after a majority of the members so resolved at the 9th Meeting of Foreign Ministers in July. Chile opposed U.S. intervention in the Dominican Republic in April 1965. It has opposed the principle of intervention and an Inter-American Peace Force. In November 1965 Chile, unlike the other Latin American members, abstained on a UN motion that would have admitted Communist China to the UN and ousted Nationalist China.

The Soviet presence in Chile has increased since the re-establishment of diplomatic relations in November 1964. Scientific and cultural contacts have grown, as well as prospective trade. Soviet em-

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bassy personnel are extremely circumspect in their contacts with Chilean communists, however, and Soviet policy in general supports the Frei government. Chile also maintains diplomatic relations with Czechoslovakia, Poland, Bulgaria, Hungary, and Rumania. Although trade with Communist China has increased, diplomatic recognition does not seem to be imminent.

4. Subversion

There is no significant danger of insurgency in the country. The Communist Party (PCCh), after a decade of proscription, was legalized in 1958. Since then it has adhered to the policy of "via pacifica" or peaceful road to power. Certain splinter extremist groups favor violence, however, and the Socialist Party has shown signs of moving toward a more extreme position. In any case, the police and army are capable of handling any foreseeable insurgent situation.

The PCCh, one of the largest Communist parties in the hemisphere, has an estimated membership of about 30,000 with 100,000 sympathizers. The Frei government is rather complacent toward the PCCh which, by acceptable political behavior, has attained an image of respectability. PCCh voting strength in the 7 March 1965 congressional election stood at 286,000 or 12.77 percent, and the party now controls 18 seats in the Chamber of Deputies and 6 in the Senate (about 12 percent and 13 percent, respectively).

A few Socialists reportedly have had training in Cuba for clandestine operations. The PCCh is not known to have sent trainees; it has instead developed its own action squads to protect meetings and to carry out other tasks. The Communist embassies in Santiago may be providing some indirect support for the PCCh.

The Army and Carabineros (national police) are respected professional forces. As a whole, Chilean security forces are among the best in Latin America, and have benefitted from US assistance and support.

Chronology of Key Events

- 1946 (September) With support of Communist Party (PCCh), Popular Front elects Gabriel Gonzalez Videla of Radical Party (PR) as President of Chile; PCCh given three cabinet portfolios.
- 1947 (October) Chile breaks diplomatic relations with the USSR, Czechoslovakia and Yugoslavia after their representatives become involved in Communist-inspired strikes.
- 1948 (September) PCCh outlawed.

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- 1950 (November) Chile resumes diplomatic relations with Yugoslavia.
- 1952 (September) General Carlos Ibañez del Campo, authoritarian president from 1927 to 1931, elected President of Chile, marking the end of 14 years center-left coalitions, headed by Radical Party presidents; electorate, frustrated by the highest increase in cost of living since World War II, lured by Ibañez demagogic appeal.
- 1953 (February) Ibañez and Peron of Argentina sign a preliminary agreement for economic union, which Chilean Congress refuses to ratify because of the discovery of Peronist infiltration efforts designed to promote Argentine hegemony over Chile.
- 1957 (March) PR regains leading role in Chile's multi-party system; strength of Christian Democratic Party (PDC) triples.
- 1958 (August) PCCh regains legal status with repeal of the "Law for the Permanent Defense of Democracy," which had been improperly applied.
(September) Jorge Alessandri, independent backed by rightist Conservative-Liberal coalition, elected President by narrow margin over Socialist Salvador Allende, backed by pro-Communist Popular Action Front (FRAP), in a 5-man race.
- 1960 (May) South-central area of Chile devastated by earthquakes and tidal waves; the US provides sizeable emergency relief.
- 1961 (March) In congressional elections, the FRAP obtains almost as many votes as the two rightist parties which decline slightly; the PDC registers further gains; results force the Alessandri administration to bring the PR into the government.
(March) US agrees to lend \$350 million to help finance the first part of a 10-year development plan (1961-70), on condition that stabilization and Alliance for Progress reform measures are undertaken.
- 1962 (April) Chile and Bolivia break diplomatic relations ostensibly over Lauca River dispute; Chile bars Bolivian effort to invoke OAS mediation.
- 1963 (April) PDC obtains largest vote in municipal elections, surpassing that of the PR.
(October) Palena boundary dispute with Argentina provokes sharp nationalist sentiments.
- 1964 (August) Chile complies with OAS resolution calling for a break in relations with Cuba.

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- 1964 (September) Eduardo Frei, Christian Democrat supported also by Conservatives and Liberals, elected President by a wide margin over Allende, backed by FRAP; FRAP in losing draws impressive 39% of vote.
 (November) Chile resumes diplomatic relations with the USSR; relations with Czechoslovakia, Poland, and Hungary follow.
- 1965 (March) In congressional elections, Christian Democrats become first party in this century to have a majority in Chamber of Deputies; also rank first in Senate (13 of 45 seats).
 (April) North-central area of Chile struck by earthquake; US provides sizeable emergency relief.
 (May) Chile opposes US policy in Dominican Republic; also opposes creation of an inter-American military force; calls for a revision of the OAS.
 (July) President Frei visits Italy, France, Great Britain, and West Germany, increasing his prestige both at home and abroad.
 (November) Clashes between Chilean and Argentine police near Lago del Desierto sets off demonstrations.
 (November) Chile abstains on a UN motion to seat Communist China, becoming the first OAS country (except Cuba) to break with the US position.
- 1966 (April) Eighty-seven day copper strike ends. This strike, which hurt the industry, was marked by violence between troops and strikers, resulting in several killed and wounded.

Selected Factual Data**LAND**

Total sq. miles: 286,000, 2% cultivated, 6% other arable, 15% permanent pasture and grazing, 29% forests, 48% barren mountains, deserts, and cities

PEOPLE

Population: 8.8 million (January 1967); males 15-49, 2.2 million; fit for military service, 1.1 million
 Ethnic groups: 88% mestizo (mixed white-Indian, with white strongly predominant); 8% Indian; 4% Europeans and Asiatics
 Religion: predominantly Roman Catholic
 Language: Spanish
 Literacy: 84%
 Secondary school in session during March-December

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Colleges and universities in session during March-December
Labor force: 2.8 million
Organized labor: 20% of total force

GOVERNMENT

Type of government: unitary republic
Congress normally convenes on 21 May and adjourns on 18 September
Branches of government: president elected for 6-year term, strong executive power; bicameral legislature elected by popular vote through proportional representation; independent judiciary
President: Eduardo Frei Montalva (1964-70)
Attitude incumbent administration towards US: reserved friendly
Capital: Santiago (1964 pop: 2.4 million)
Political subdivisions: 25 provinces
Principal political parties and leaders:
National (PN), Victor García
Christian Democratic (PDC), Patricio Aylwin
Radical (PR), Humberto Enríquez
Socialist (PS), Aniceto Rodríguez
Communist (PCCh), Luis Corvalán
Suffrage: universal (except enlisted military and police) and compulsory; age limit 21
Qualified voters—3 million—1964 presidential
Actual voters—2,346,458—1965 congressional
Voting strength of parties by % (1965 congressional election);
Liberal Party, 7.3; Conservative Party, 5.3; PR, 13.3; PDC, 42.3;
PS, 10.3; PCCh, 12.2; other, 9.3
Next elections: municipal, April 1967; congressional, 1969; presidential, 1970
National holidays: 18 and 19 September
Member: UN, ECOSOC, OAS, LAFTA, IBRD, IMF, IDB

ECONOMY

GNP: US\$4.0 billion (1965 est. in 1962 prices); 1965 US\$475 per capita (real increase of 3.5% over 1964)
Inflation: 25.9%, 1965; 20.0%, January-September 1966
Agriculture: wheat and other cereals; 80% self-sufficient
Major industries: copper and nitrates, foodstuffs, textiles, iron and steel developing, fish processing
Electric power: 1.4 million kw. capacity 1964; 6.0 billion kw.-hrs. produced (1965); 710 kw.-hrs. per capita (1965)

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Exports (1965): US\$685,000,000, up \$61,000,000 over 1964; copper (65%), iron ore (11%), nitrates (5%)
Imports (1965): US\$604,000,000, down \$3,000,000 from 1964; machinery and equipment, chemicals, petroleum, foodstuffs
Exports to US in 1965: \$213 million (31% of total)
Imports from US in 1965: \$237 million (39% of total)
Trade/aid: unfavorable trade balance in most of the recent years; although favorable in 1964 and 1965; economic assistance (US and international organizations loans and grants): \$1,271.5 million authorized 1946-65
Exchange rate: 4.10 escudos per US\$1.00 official rate; 4.76 escudos per US\$1.00 free rate
US direct private investment: \$800-900 million (75% of total foreign investment); principal sector: copper mining

COMMUNICATIONS

Railroads: about 5,091 miles of various gages
Highways: 2,074 miles paved; 13,861 miles gravel; 20,490 miles improved and unimproved earth
Inland waterways: 1,360 miles navigable
Ports: 3 principal, 7 secondary, 21 minor
Merchant marine: 66 ships totalling 369,927 DWT
Airfields: 290 total, 191 usable; 25 with permanent-surface runways; 1 with runway 8,000-11,999 feet; 47 with runways 4,000-7,999 feet; 6 seaplane stations
Telecommunications: wire facilities inadequate

DEFENSE FORCES

Personnel: army, 23,100; navy, 13,150; national police, 23,770; air force, 8,000
Loyalty to government: loyal, apolitical
Major ground units: 6 infantry divisions, 1 cavalry division
Ships: 2 light cruisers, 4 destroyers, 2 submarines, 7 patrol craft, 5 amphibious, 6 amphibious warfare craft, 17 auxiliary craft, 11 service craft
Aircraft: 161 (42 jet, 105 prop, 14 helicopter); navy has 17 aircraft
Supply: dependent upon foreign sources for heavier arms, equipment, and supplies
US missions: army, navy, air
US military aid for FY 1966: \$7.0 million
Defense budget: \$96.7 million 1965, 2.3% of est. GNP (current 1965)

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RELATIONS WITH COMMUNIST COUNTRIES

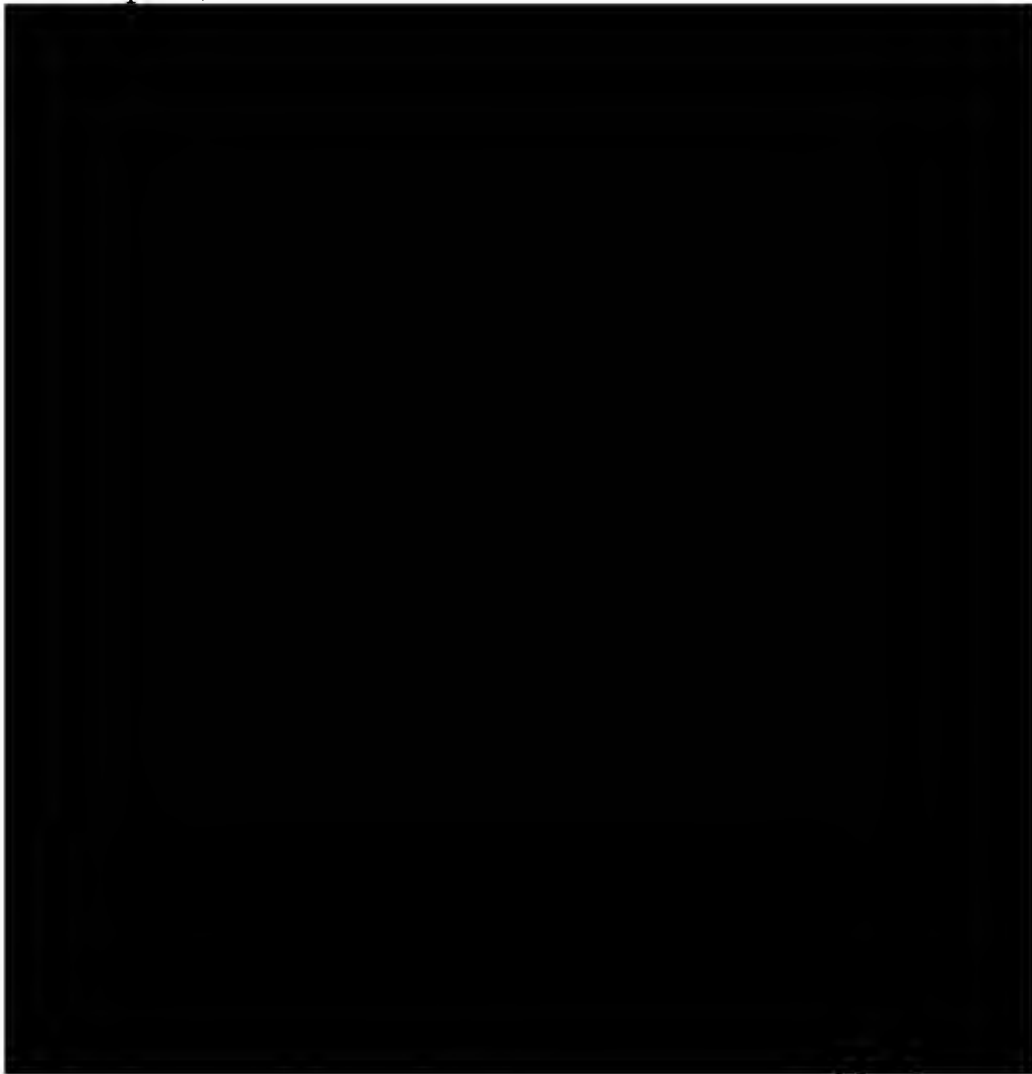
Resident bloc diplomatic missions: Hungary, Czechoslovakia, USSR, Poland, Rumania (USSR and Rumania are only accredited missions)

Permanent commercial missions: USSR, Czechoslovakia, East Germany, Communist China (information office)

Number of binational cultural centers: 24

Exports (1965): \$7.4 million

Imports (1965): \$2.7 million



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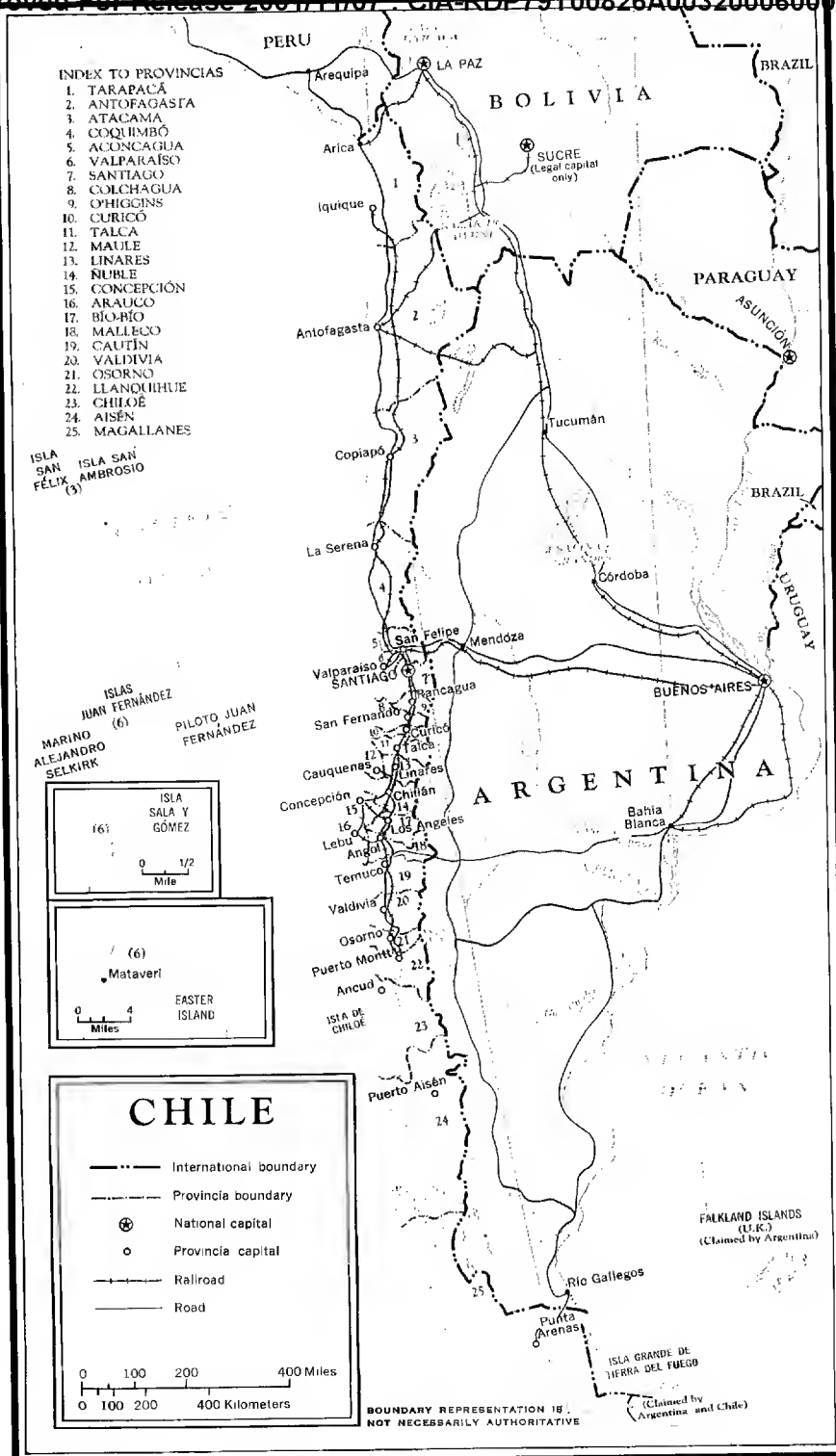
Map

The best available general reference map is: Esso Standard Oil Co. (Chile) S.A.C.; *Chile, Guia Turistica y Plano de Santiago*; various scales; 1963.

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